98TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 98-333

MEDICARE HOSPICE REIMBURSEMENT AMENDMENT

JULY 28, 1983.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 3677]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3677) to amend title XVIII of the Social Security Act to increase the cap amount allowable for reimbursement of hospices under the medicare program, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

I. INTRODUCTION

PURPOSE

The Committee bill, H.R. 3677, would correct a technical error in section 122 of Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982. The bill would establish a hospice "cap" at $6,500, indexed by the medical care component of the Consumer Price Index. The Committee believes that this technical error should be corrected before promulgation of final regulations implementing section 122.

BACKGROUND AND NEED FOR LEGISLATION

Section 122 of Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982, provided for reimbursement under the medicare program for hospice care. A cap on the maximum amount of reimbursement to each hospice program was established based upon the number of medicare enrollees in each program. The intent of the cap was to ensure that payments for hospice care would not exceed what would have been expended by medicare if the patient had been treated in a conventional setting.

H.R. 5180, as originally introduced, required the establishment of a reimbursement "cap" under the hospice benefit. The "cap" under H.R.

11-006 O

H783-22

5180, as introduced, could not exceed 75% of the estimated regional average medicare expenditure per beneficiary, in the regular medicare program, during the last six months of life for persons dying of cancer. Cost estimates provided by the Congressional Budget Office indicated this cap amount would have been nearly $14,600 in 1983, assuming a $19,000 base cost. The Committee considered that this cap amount was excessive. The Committee therefore decided that the "cap" amount should be lowered, and (based upon the $19,000 figure) determined that 40%, or approximately $7,600, would be a more appropriate amount.

However, the CBO estimate included two errors. The estimate indicated that the "cap" amount would be $14,600. CBO should have indicated that this was in fact the base amount, not the "cap" amount. Further, in estimating this amount CBO failed to follow the specific legislative language which required that the updating from the base period utilize the medical care component of the CPI rather than actual inflation in medicare program expenditures.

The outcome, therefore, is that the "cap" amount for 1984, as calculated by the Department of Health and Human Services would be a little over $4,200. This is significantly lower than the $7,600 anticipated, necessitating this technical amendment.

II. General Explanation

The Committee bill would establish the hospice reimbursement "cap" amount at $6,500. This amount would be indexed by the medical care component of the Consumer Price Index.

III. Budget Effects of the Bill

1. COMMITTEE ESTIMATE

In compliance with clause 7(a) of Rule XIII of the Rules of the House of Representatives the following statement is made: The Committee agrees with the cost estimate prepared by the Congressional Budget Office which is included below. This estimate indicates that there will be no change in the Congressional Budget Office baseline projection of the Health Insurance Trust Fund as a result of H.R. 3677.

2. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

With respect to clause 2(1)(3)(B) of Rule XI of the Rules of the House, the Committee advises that the required information pertaining to new budget authority or new or increased tax expenditures, to the extent applicable to this bill, is contained in the Congressional Budget Office cost estimate included below.

3. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(1)(3)(C) of Rule XI requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by the Congressional Budget Office is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., July 28, 1983.

Hon. DANIEL ROSTENKOWSKI,
Chairman, Committee on Ways and Means,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has reviewed H.R. 3677, a bill to amend title XVIII of the Social Security Act to increase the cap amount allowable for reimbursement of hospices under the Medicare program, as ordered reported by the House Committee on Ways and Means, July 27, 1983.

Based on this review, it is expected that no additional costs would be added to the CBO estimate of baseline projections for the Hospital Insurance program. CBO's estimate on June 28, 1982 of H.R. 5180, as introduced, included an average cost to Medicare per user of hospice services to be about $5,010 in 1983. The cap amount specified in the bill was well in excess of the estimated average, so that it was not anticipated to significantly affect program costs or savings. Similarly, CBO's baseline estimates of the Medicare Hospital Insurance program assume a cap amount in excess of the average costs for hospice services. This technical amendment would clarify the exact cap amount. It would not change CBO's baseline projections.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

JAMES BLUM
(For Alice M. Rivlin, Director).

IV. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

1. VOTE OF THE COMMITTEE

In compliance with clause 2(l)(2)(B) of the rule XI, the following statement is made: the bill H.R. 3677 was ordered favorably reported to the House of Representatives without objection.

2. OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of the rule XI, the Committee reports that the need for this legislation has been confirmed by oversight investigations conducted by the Subcommittee on Health.

3. OVERSIGHT BY COMMITTEE ON GOVERNMENT OPERATIONS

In compliance with clause 2(l)(3)(D) of the rule XI, the Committee states that no oversight findings and recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

4. INFLATION IMPACT

Pursuant to clause 2(l)(4) of rule XI of the Rules of the House with regard to the inflationary impact of the reported bill.

The Committee believes that the bill has no measurable effect on health care prices or on consumer prices generally.

V. Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 1814 of the Social Security Act

CONDITIONS OF AND LIMITATIONS ON PAYMENT FOR SERVICES

Requirement of Requests and Certifications

SEC. 1814. (a) * * *.

* * * * * * *

Payment for Hospice Care

(i)(1) Subject to the limitation under paragraph (2) and the provisions of section 1813(a)(4), the amount paid to a hospice program with respect to hospice care for which payment may be made under this part shall be an amount equal to the costs which are reasonable and related to the cost of providing hospice care or which are based on such other tests of reasonableness as the Secretary may prescribe in regulations (including those authorized under section 1861(v)(1)(A)), except that no payment may be made for bereavement counseling and no reimbursement may be made for other counseling services (including nutritional and dietary counseling) as separate services.

(2)(A) The amount of payment made under this part for hospice care provided by (or under arrangements made by) a hospice program [located in a region (as defined by the Secretary)] for an accounting year may not exceed the cap amount [for the region] for the year (computed under subparagraph (B)) multiplied by the number of medicare beneficiaries in the hospice program in that year (determined under subparagraph (C)).

[(B) For purposes of subparagraph (A), the "cap amount" for a region for a year is computed as follows:

[(i) The Secretary, using records of the program under this title, shall identify individuals (or a representative sample of such individuals)—

[(I) who died during the base period (as defined in clause (v)),

[(II) with respect to whom the primary cause of death was cancer, and

[(III) who, during the six-month period preceding death, were provided benefits under this title.

[(ii) The Secretary shall determine a national average medicare per capita expenditure amount by (I) determining (or estimating) the amount of payments made under this title with respect to services provided to individuals identified in clause (i) during the six months before death, and (II) dividing such amount of payments by the number of such individuals.

[(iii) The Secretary, using the best available data, shall then compute a regional average medicare per capita expenditure amount for each region, by adjusting the national average medicare per capita expenditure amount (computed under clause (ii)) to reflect the relative difference between that region's average cost of delivering health care and the national average cost of delivering heath care.

[(iv) The "cap amount" for a region for an accounting year is 40 percent of the regional average determined under clause (iii) for that region, increased or decreased by the same percentage as the percentage increase or decrease, respectively, in the medical care expenditure category of the consumer price index for all urban consumers (U.S. city average), published by the Bureau of Labor Statistics, from the fourth month of the base period to the fifth month of the accounting year.

[(v) For purposes of this subparagraph, the term "base period" means the most recent period of 12 months (ending before the date proposed regulations are first issued to carry out this paragraph) for which the Secretary determines he has sufficient data to make the determinations required under clauses (i) through (iii).]

(B) For purposes of subparagraph (A), the "cap amount" for a year is $6,500, increased or decreased, for accounting years that end after October 1, 1984, by the same percentage as the percentage increase or decrease, respectively, in the medical care expenditure category of the consumer price index for all urban consumers (United States city average), published by the Bureau of Labor Statistics, from March 1984 to the fifth month of the accounting year.

* * * * * * *

○